



## Economic Headlines

Tuesday, 23 October 2018

### **Worst Nations for Governance Have the World's Best Stock Markets**

Altruism has proven a lousy guide for stock pickers this year. Investors who avoided the dodgiest countries in terms of environmental, social and governance [ESG] standards would have missed out on huge returns. In Qatar, stocks soared 27 percent in dollar terms to lead gains despite the worst ESG score in emerging markets, according to an analysis by Renaissance Capital. The most lucrative developed markets have been Israel, which has the lowest Renaissance ESG score in absolute terms, and the U.S., lowest when adjusted per capita. Among frontier markets, Saudi Arabia -- now in the throes of a diplomatic crisis after the murder of journalist Jamal Khashoggi -- can point to a 9.3 percent rally in the Tadawul All Share Index despite a low ESG score... That doesn't mean investors should ignore ESG, however. Charles Robertson, RenCap's London-based chief economist who wrote the report, said there's a small correlation between ESG rankings and stock performance in more liquid markets, largely driven by oil-rich nations, and it's possible that high-scoring ESG nations will perform better over time as the idea gains traction. – [Bloomberg](#)

### **Markets Unfazed With Pressure on Finance Minister Before South Africa Budget**

As the temperature in Cape Town soared to 36 degrees Celsius (97 degrees Fahrenheit) on Monday, South African Finance Minister Tito Mboweni may be feeling heat of a different kind. Mboweni, barely two weeks into the job, has to reassure investors and rating companies in his mid-term budget speech in the city on Wednesday that he has the budget deficit under control, while finding money to boost an economy that fell into recession in the first half. Investors seem confident he can: bond yields fell to two-week lows Monday and the rand gained, while traders curbed bearish bets on the currency... Analysts from Nedbank Group Ltd., Citigroup Inc. and Informa Global Markets are predicting a rally in the rand, even as the projected budget shortfall is seen wider than the February estimate of 3.6 percent. As long as the gap remains below 4 percent, sentiment won't sour toward the rand, according to Mehul Daya and Neels Heyneke at Johannesburg-based Nedbank. – [Bloomberg](#)

### **Goldman Warns It's Not Over Yet for Italian Debt Market Woes**

Italy's bonds have been given a shot in the arm by retaining their investment grade for now, but markets may have to increase the pressure on the government to change policy, according to Goldman Sachs Group Inc. The U.S. bank has a bleak view on the state of the euro area's third-largest economy, with particular concern over the rollback of pension reforms, which could increase public debt by 10 percentage points over a decade. Market sentiment was boosted Monday after Moody's Investors Service kept the country's rating one notch above junk, yet a bond rally

evaporated... The U.S. bank also warned that proposals to introduce a basic income for the poorest and slowing economic growth could test the government's underlying assumptions. It forecasts rising debt may potentially justify further downgrades. S&P Global Ratings is due to review the country Friday. – [Bloomberg](#)

### **Eskom applies to Nersa for a tariff increase**

Eskom has asked the National Energy Regulator of South Africa for 15% tariff increase per year for three years, the power utility said in a statement on Friday. Per the request, the increases would start in 2019/20. However, Nersa has previously not granted the full tariff increases Eskom has asked for. Nersa recently approved a 4.1% increase effective in April next year. Earlier this month, Nersa gave the power utility four years to recover R32.69bn, having approved the liquidation of Eskom's third multi-year price determination regulatory clearing account balances for 2014/15 to 2017/18... It applied Nersa methodology to determine the necessary tariff hike, it said, phasing in the return on assets. This meant that only by the third year - namely 2021/22 - the allowed revenue would cover the full debt service commitments. For this to occur, it would need 15% a year, said Eskom. – [Fin24](#)

### **Dismal liquidity still haunts African bourses**

Of 20 African economies reviewed, only South Africa, Botswana and Ghana have market caps greater than 100% of GDP; in 14 countries it is lower than 50%. South Africa's financial markets remain the most attractive option for international investors looking to enter Africa, according to the 2018 Absa Africa Financial Markets Index. The latest index – which evaluates market development in 20 countries, highlighting economies with clearest growth prospects – shows that South Africa's 'twin peaks' strategy for improving financial regulation stood out among the frameworks introduced over the past year, boosting performance for the index as a whole... The report noted that liquidity is generally low; 10 countries have equity market turnover of less than 10% of market capitalisation, and 15 countries have bond turnover of less than 10% of outstanding bonds... only South Africa, Botswana and Ghana have a market capitalisation greater than 100% of GDP, while in 14 countries it is lower than 50%... Nigeria and South Africa stand out in terms of market transparency, with South Africa recently making reforms set to broaden its tax base... Local investor capacity in many African countries is low, with pension funds, insurance firms and other investors lacking sizeable assets under management. For Ivory Coast, Egypt, Ethiopia, Ghana, Mauritius, Zambia and Senegal, the ratio of institutional assets under management to domestically listed assets is below 20%... Sub-Saharan Africa's depressed local capacity continues to be affected by a low savings culture, delays in reforming or liberalising the pensions and investments sectors, and regulatory restrictions. South Africa, however, is an outlier – with pension fund assets per capita registering at US\$5 411, equity market turnover at 40%, and corporate bond turnover of 106%. – [Moneyweb](#)



## Stats of the Day

### Where Tourists Splash The Most Cash

Number of tourist arrivals and total inbound expenditure in 2017



\* 2016  
Source: UNWTO

statista

## Data Releases

Local Time	Country	Indicator Name	Period
14:55	United States	Redbook MM	15 Oct, w/e
14:55	United States	Redbook YY	15 Oct, w/e
16:00	United States	Rich Fed Comp. Index	Oct
16:00	United States	Rich Fed, Services Index	Oct
16:00	United States	Rich Fed Mfg Shipments	Oct
16:00	Euro Zone	Consumer Confid. Flash	Oct
22:30	United States	API weekly crude stocks	15 Oct, w/e
22:30	United States	API weekly gasoline stk	15 Oct, w/e
22:30	United States	API weekly dist. stocks	15 Oct, w/e
22:30	United States	API weekly heating oil	15 Oct, w/e
22:30	United States	API weekly crude imports	15 Oct, w/e
22:30	United States	API weekly product imports	15 Oct, w/e
22:30	United States	API weekly crude runs	15 Oct, w/e
22:30	United States	API Cushing number	15 Oct, w/e

Source: Thomson Reuters

## Market Overview

Money Market		Change	Latest
3 months	→	0.00%	7.03%
6 months	→	0.00%	7.64%
9 months	↑	0.01%	7.95%
12 months	→	0.00%	8.37%
Bonds		Change	Latest
GC21 (R208 : 7.71%)	↓	-0.01%	8.57%
GC24 (R186 : 9.17%)	↓	-0.02%	10.47%
GC27 (R186 : 9.17%)	↓	-0.02%	10.57%
GC30 (R2030 : 9.59%)	↓	-0.03%	11.09%
GC32 (R213 : 9.69%)	↓	-0.03%	11.42%
GC35 (R209 : 9.89%)	↓	-0.03%	11.39%
GC37 (R2033 : 9.79%)	↓	-0.03%	11.72%
Commodities		%Change	Latest
Gold	↓	-0.23%	\$ 1,223.63
Platinum	↑	0.53%	\$ 835.37
Copper	→	0.00%	\$ 6,220.00
Brent Crude	↓	-0.91%	\$ 79.39
Main Indices		%Change	Latest
NSX (Delayed)	↑	0.04%	1237.79
JSE All Share	↑	0.69%	52,452.11
S&P 500	↓	-0.04%	2,767.78
FTSE 100	↑	0.56%	7,089.04
Hangseng	↑	2.32%	26,153.15
DAX	↑	0.52%	11,614.28
JSE Sectors		%Change	Latest
Financials	↑	0.75%	15,644.55
Resources	↓	-0.23%	41,041.47
Industrials	↑	1.33%	63,597.95
Forex		%Change	Latest
N\$/US Dollar	↓	-0.82%	14.2957
N\$/Pound	↓	-1.18%	18.6284
N\$/Euro	↓	-1.00%	16.4481
US Dollar/ Euro	↓	-0.07%	1.1506
Namibia Monthly Data		Latest	Previous
Namibia Inflation (Sep 18)		4.8	4.4
Bank Prime		10.50	10.50
BoN Repo Rate		6.75	6.75

Source: Bloomberg



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